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New Zealand

Livestock and Products

Annual

2006

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Report Highlights:
New Zealand's beef and veal export volume in 2007 is forecast to increase 7 percent to 580,000 tons. Beef production and export estimates for 2006 have been revised downward. New Zealand's beef industry continues to benefit from U.S. and Canadian difficulties in re-entering Asian markets. New Zealand beef exporters expect minimal disruption from the re-entry of U.S. beef to the Japanese market, with a small decline in market share and prices. These exporters will fight to retain the market share they have gained.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Wellington [NZ1]
[NZ]

SECTION I. SITUATION AND OUTLOOK

New Zealand's 2007 cattle slaughter is forecast to increase 6 percent over 2006 to 690,000 tons[1]. Beef and veal exports are forecast to increase 7 percent to 580,000 tons. This follows revised figures for 2006 production levels due to the availability of more up-to-date data. The increased adult cattle slaughter is a result of increased availability of bulls for slaughter, as well as an increase in the number of dairy cows supplied for slaughter. Calf slaughter is forecast to remain at a similar level to the estimated slaughter of 2006.

New Zealand's total cattle slaughter for 2006 has been revised (see NZ6003 for previous figures), with an estimated decline of 5 percent to 650,000 tons. As a result, exports are estimated to decline 6 percent to 540,000 tons. The lower than forecast kill is due to a number of factors. The dairy cow and heifer cull has been lower due to increased retentions for milking. Industry observers perceive that many farmers are holding cattle back from slaughter as a result of lower prices in the first half of 2006 and the perception that these prices will strengthen later in the year, if the New Zealand dollar weakens in value as most analysts predict.

The New Zealand Food Safety Authority (NZFSA) is currently reassessing New Zealand's BSE categorization measure. As part of this, NZFSA released a discussion document in April 2006, which recommends changes to the requirements for imported beef products. NZFSA states that the review is in response to experience gained during the BSE epidemic in cattle, advances in the scientific understanding of BSE and the associated risk of vCJD, and changes to the World Organization for Animal Health's standard (which New Zealand's current BSE measure is based on).

New Zealand's beef industry continues to benefit from U.S. and Canadian difficulties in re-entering Asian markets (see NZ5012 and NZ6003). New Zealand beef exporters expect minimal disruption from the re-entry of U.S. beef to the Japanese market, with a small decline in market share and prices. New Zealand exporters will fight to retain the market share they have gained. They expect that share will gradually be lost to U.S. exporters in the long-term, but hope to retain some of the gains they have made as the dynamics of the market are expected to be different to those before the ban. New Zealand grass-fed beef has different product attributes to North American grain fed beef. Although traditionally seen by Asian consumers as a lesser product to grain-fed beef, New Zealand exporters hope that Asian consumers have developed a taste for their beef during the absence of North American product. New Zealand promotion will emphasize that New Zealand beef is natural, free range, disease free and high in nutrients.

[1] All tonnages are in carcass weight equivalents (CWE)

SECTION II. PS&D TABLES AND TRADE MATRIX

PS&D TABLES

New Zealand Animal Numbers, Cattle						
						(1000 HEAD)
	2005	Revised	2006	Estimate	2007	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2005		01/2006		01/2007
Total Cattle Beg. Stks	9415	9415	9485	9435	9385	9615
Dairy Cows Beg. Stks	4005	4005	4050	4100	0	4130
Beef Cows Beg. Stocks	1220	1220	1200	1240	0	1220
Production (Calf Crop)	4460	4460	4500	4470	0	4480
Intra EC Imports	0	0	0	0	0	0
Total Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	13875	13875	13985	13905	9385	14155
Intra EC Exports	0	0	0	0	0	0
Total Exports	50	50	50	40	0	40
TOTAL Exports	50	50	50	40	0	40
Cow Slaughter	830	800	850	680	0	750
Calf Slaughter	1300	1550	1400	1500	0	1500
Other Slaughter	1780	1610	1870	1630	0	1750
Total Slaughter	3910	3960	4120	3810	0	4000
Loss	430	430	430	440	0	440
Ending Inventories	9485	9435	9385	9615	0	9675
TOTAL DISTRIBUTION	13875	13875	13985	13905	0	14155
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Source: Statistics New Zealand, Meat and Wool New Zealand, Ministry of Agriculture and Forestry, FAS/Wellington Estimates.

Notes for tables:
Data included in this report is not official USDA data. Official USDA data is available at http://www.fas.usda.gov/psd.

PS&Ds in carcass weight equivalents (CWE), while trade matrices are in product weight equivalents (PWE).

New Zealand Meat, Beef and Veal						
	(1000 MT CWE)(1000 HEAD)					
	2005	Revised	2006	Estimate	2007	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2005		01/2006		01/2007
Slaughter (Reference)	3910	3960	4120	3810	0	4000
Beginning Stocks	0	0	0	0	0	0
Production	705	685	735	650	0	690
Intra EC Imports	0	0	0	0	0	0
Total Imports	10	10	10	10	0	10
TOTAL Imports	10	10	10	10	0	10
TOTAL SUPPLY	715	695	745	660	0	700
Intra EC Exports	0	0	0	0	0	0
Total Exports	589	575	625	540	0	580
TOTAL Exports	589	575	625	540	0	580
Human Dom. Consumption	126	120	120	120	0	120
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	126	120	120	120	0	120
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	715	695	745	660	0	700
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	280	295	300	280	0	295

Source: Statistics New Zealand, Meat and Wool New Zealand, Ministry of Agriculture and Forestry, FAS/Wellington Estimates.

TRADE MATRIX – BEEF EXPORTS

New Zealand Beef Exports by Volume					
	Calendar Years			January – July Years	
	2003	2004	2005	2005	2006
United States	222113	212431	203484	141314	131118
Korea South	27625	50951	45822	32307	29953
Japan	20915	38146	42591	30672	28558
Canada	41718	29494	29823	25863	20175
Taiwan	22221	30372	29440	20123	16150
Indonesia	9015	12421	14177	8670	13075
Australia	2942	5287	6819	4573	3422
Malaysia	6878	7738	6624	5938	0
Mexico	6667	5794	6543	5472	3061
French Polynesia	5563	5812	5481	3244	2765
Other	25771	25725	21510	13185	16018
Total	391428	424171	412314	291361	264295

Source: Statistics New Zealand, FAS/Wellington estimates.

SECTION III. SUPPLY AND DEMAND, POLICY AND MARKETING

BEEF AND VEAL PRODUCTION AND STOCK NUMBERS

2007 Outlook Forecast: Post Forecasts Beef Production to Increase 6 Percent

New Zealand's 2007 cattle slaughter is forecast to increase 6 percent over 2006 to 690,000 tons[2]. Beef and veal exports are forecast to increase 7 percent to 580,000 tons. This follows revised figures for 2006 production levels due to the availability of more up-to-date data. The increased adult cattle slaughter is a result of increased availability of bulls for slaughter, as well as an increase in the number of dairy cows supplied for slaughter. The increased availability of bulls is due to increased calf retentions for beef production in 2004. The increase in dairy cow supply is based on the forecast that dairy farmers won't need to retain as many heifers and cows for milk production in 2007, as they did in 2006 (see below). Calf slaughter is forecast to remain at a similar level to the estimated slaughter of 2006.

The reliance of New Zealand's beef industry on the dairy industry to supply animals for beef production continues to grow. Traditionally, many farmers have farmed sheep and cattle together in New Zealand due to their complimentary grazing patterns. With the continued expansion of New Zealand's dairy industry, however, 60 percent of cows and bulls currently sourced for export beef production originate from the dairy herd. This is a substantial increase over the 45 percent of beef exports that originated from the dairy herd in 1990. The overall effect of this has been that, despite the gradual decrease in beef cattle numbers, production of beef and veal continue to gradually increase.

2006 Revised Estimates: Beef Production Re-estimated Lower

New Zealand's total cattle slaughter for 2006 has been revised (see NZ6003 for previous figures), with an estimated decline of 5 percent to 650,000 tons. As a result, exports are estimated to decline 6 percent to 540,000 tons. The previous estimates were 705,000 tons for total production and 595,000 tons for exports. The lower than forecast kill is due to a number of factors. The dairy cow and heifer cull has been lower due to increased retentions for milking, as a result of the large number of dairy cows exported in the first half of 2006 and earlier years, as well as stock for 85 new dairy farm conversions that will begin production in spring (and possible expansions of existing ones).

Industry observers perceive that many farmers are holding cattle back from slaughter as a result of lower prices in the first half of 2006 and the perception that these prices will strengthen later in the year, if the New Zealand dollar weakens in value as most analysts predict. Post estimates that these factors will increase beef production in the second half of 2006, lifting exports. Between January and July 2006, New Zealand's beef exports were 9 percent lower than the same time period in 2005, but Post estimates that by the end of 2006 exports will only be 5 percent below 2005 levels.

[2] All tonnages are in carcass weight equivalents (CWE)

POLICY

New Zealand Reassessing BSE Country Categorization Measure

The New Zealand Food Safety Authority (NZFSA) is currently reassessing New Zealand's BSE categorization measure[3]. As part of this, NZFSA released a discussion document in April 2006, which recommends changes to the requirements for imported beef products. This is a separate issue to NZFSA's assessment that the United States safeguards against BSE are equivalent to those of New Zealand (a final agreement on this issue has yet to be reached, see NZ6003 for further information). NZFSA states that the review is in response to experience gained during the BSE epidemic in cattle, advances in the scientific understanding of BSE and the associated risk of vCJD, and changes to the World Organization for Animal Health's standard (which New Zealand's current BSE measure is based on).

MARKETING

Effect on New Zealand of the Re-entry of U.S. Beef into the Japanese Market

New Zealand's beef industry continues to benefit from U.S. and Canadian difficulties in re-entering Asian markets (see NZ5012 and NZ6003). New Zealand beef exporters expect minimal disruption from the re-entry of U.S. beef to the Japanese market, with a small decline in market share and prices. New Zealand's beef industry predicts a gradual U.S. re-entry to the market, as U.S. exporters cautiously adapt to more rigorously monitored Japanese restrictions and the changed attitude of Japanese consumers to U.S. beef. As such, the re-entry of U.S. product is expected to have very little impact on export volumes of New Zealand beef to Japan in the short- to medium-term. As Japan's 2005 beef imports remained below 2003 levels and New Zealand beef does not directly compete with U.S. beef, the impact of U.S. re-entry is lessened.

New Zealand exporters will fight to retain the market share they have gained. They expect that share will gradually be lost to U.S. exporters in the long-term, but hope to retain some of the gains they have made as the dynamics of the market are expected to be different to those before the ban. New Zealand grass-fed beef has different product attributes to North American grain fed beef. Although traditionally seen by Asian consumers as a lesser product to grain-fed beef, New Zealand exporters hope that Asian consumers have developed a taste for their beef during the absence of North American product. New Zealand promotion will emphasize that New Zealand beef is natural, free range, disease free and high in nutrients.

Collaboration between the U.S. and New Zealand on Sequencing the Bovine Genome

A group of New Zealand organizations, including AgResearch, Dairy InSight and Agritech Investments, are involved in the bovine genome sequencing project, which began in 2003. The New Zealand partners invested U.S. $1 million into the U.S.-led U.S.$ 53 million international collaborative project, which involved organizations in Australia, Canada and the U.S. Partners in the project announced in August that the bovine genome sequence is nearing completion, and that the most current, complete and accurate genome sequence has been released into the public domain.

[3] See http://www.nzfsa.govt.nz/imported-food/bse-categorisation/index.htm for details.

New Brand Developed for New Zealand Beef in Korea

Meat and Wool New Zealand has created a new brand for New Zealand beef in South Korea. The name translates to 'New Zealand Nature-Bred Beef' and is accompanied by the slogan, 'A Healthy Gift from Pure New Zealand Nature.' The aim of the new brand is to appeal to health conscious Korean consumers by promoting New Zealand beef as natural and grass-fed, as well as emphasize New Zealand's disease free status.

Tariff Rates on Beef Imported into New Zealand

These tariff rates remain unchanged from previous years. Australia enjoys tariff-free entry of all goods into New Zealand under the Closer Economic Relations trade agreement.

Tariff Number	Product Description	Normal Tariff	Preferential Tariff
0201	Meat of bovine animals, fresh or chilled	Free	
0202	Meat of bovine animals, frozen	Free	
021020	Meat and edible meat offal of bovine animals	5%	Canada: Free Less Developed Countries: 4%
160250	Other prepared or preserved meat of bovine animals	Free	